

July 2005



North Dakota REV-E-NEWS

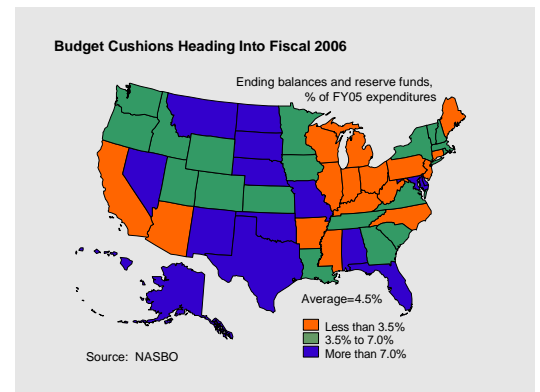
**From Pam Sharp, Director
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Economy.com, the state's economic forecasting consultant, recently completed an analysis of the North Dakota economy as summarized in their June 2005 *Précis* publication. The state received high marks for its recent economic performance:

"North Dakota's economy is doing well. Payroll expansion is comparable to the national average. Education/health and leisure/hospitality are growing at a robust pace. All other important industries of the economy are expanding steadily. Labor force has been expanding at a pace that compares well with the U.S. average while the unemployment rate is far below the average. Population growth has been positive in 2004 for the first time since 1996."

For state government, strong economic performance in the private sector results in increased revenues. As the 2003-05 biennium closes, we can clearly see how exceptional that growth has been. Compared to the original legislative forecast, actual revenues were \$144.9 million, or 8.0 percent higher than forecasted. Compared to the 2001-03 biennium, revenues were \$276.0 million, or 16.5 percent higher.

Economy.com commented on the "good health" of the state budget, as indicated by the state's budget surplus. The July 2005 *Précis Macro* publication includes the following chart that shows North Dakota among the few states with a budget cushion exceeding 7 percent at the beginning of fiscal year 2006.



The leading contributor to North Dakota's robust state budget has been taxable sales and purchases, which accounts for over 45 percent of all state revenues. For the 2003-05 biennium, this tax type exceeded projections by over \$43.0 million, or 6.4 percent. Compared to the 2001-03 biennium, sales and use tax collections have increased by over \$77.1 million, or 12.0 percent.

Oil Activity

Oil production in May fell slightly from the April level of just over 92,700 barrels per day to approximately 90,700 barrels per day. Drilling permit activity remained strong with 31 permits being issued, the same number issued in April. The average price for North Dakota crude decreased slightly in May to approxi-

mately \$44 per barrel, compared to the April average of nearly \$48 per barrel. Oil prices have once again increased and current prices for North Dakota crude are around \$55 per barrel. The current rig count is 29, 8 more rigs than were operating one year ago.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
June 2005

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Leg. Forecast	Actual	Variance	Percent	March 2003 Leg. Forecast	Actual	Variance	Percent
Sales Tax	34,067,000	32,076,657	(1,990,343)	-5.8%	674,764,000	717,758,293	42,994,293	6.4%
Motor Vehicle Excise Tax	5,185,840	5,864,897	679,057	13.1%	126,784,840	128,010,103	1,225,263	1.0%
Individual Income Tax	10,682,000	11,800,103	1,118,103	10.5%	435,255,000	452,547,326	17,292,326	4.0%
Corporate Income Tax	9,890,000	10,442,821	552,821	5.6%	91,450,000	102,926,972	11,476,972	12.5%
Insurance Premium Tax	1,357,000	3,454,764	2,097,764	154.6%	55,869,000	56,284,535	415,535	0.7%
Financial Institutions Tax	28,000	241,572	213,572	762.8%	5,200,000	4,958,673	(241,327)	-4.6%
Oil & Gas Production Tax*	1,255,719		(1,255,719)	-100.0%	42,348,719	45,534,044	3,185,325	7.5%
Gaming Tax	167,000	322,584	155,584	93.2%	23,145,000	20,850,911	(2,294,089)	-9.9%
Lottery	1,151,000	5,836,571	4,685,571	407.1%	1,431,000	7,269,005	5,838,005	408.0%
Interest Income	2,071,000	1,979,169	(91,831)	-4.4%	12,629,000	6,935,015	(5,693,985)	-45.1%
Oil Extraction Tax*	846,281		(846,281)	-100.0%	28,651,281	25,465,956	(3,185,325)	-11.1%
Cigarette & Tobacco Tax	1,544,000	1,668,433	124,433	8.1%	36,709,000	39,476,712	2,767,712	7.5%
Departmental Collections	2,473,364	1,476,729	(996,635)	-40.3%	54,410,473	61,004,537	6,594,064	12.1%
Wholesale Liquor Tax	565,000	550,547	(14,453)	-2.6%	11,634,000	11,889,465	255,465	2.2%
Coal Conversion Tax	2,081,000	1,986,579	(94,421)	-4.5%	47,221,000	47,196,831	(24,169)	-0.1%
Mineral Leasing Fees	(150,000)	196,472	346,472	-231.0%	4,215,000	11,024,583	6,809,583	161.6%
Bank of North Dakota-Transfer	30,000,000	30,000,000		0.0%	60,000,000	60,000,000		0.0%
State Mill & Elevator-Transfer	5,000,000	5,000,000		0.0%	5,000,000	5,000,000		0.0%
Gas Tax Admin-Transfer					1,396,200	1,396,200		0.0%
Other Transfers	4,700,000	5,461,956	761,956	16.2%	90,350,377	91,412,288	1,061,911	1.2%
Total	112,914,204	118,359,854	5,445,650	4.8%	1,808,463,890	1,896,941,450	88,477,560	4.9%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	112,914,204	118,359,854	5,445,650	4.8%	1,808,463,890	1,953,398,031	144,934,141	8.0%

* Oil and gas production and oil extraction tax collections totaled \$7.9 million in June. Because the \$71.0 million statutory cap for the 2003-05 biennium has been attained, all June collections will be reserved for transfer to the permanent oil tax trust fund. A total of \$49.5 million is now reserved for transfer to the permanent oil tax trust fund at the end of the 2003-05 biennium and is not reflected in general fund oil tax collections.

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
June 2005

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	June 2003	June 2005	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	33,418,312	32,076,657	(1,341,655)	-4.0%	640,618,364	717,758,293	77,139,929	12.0%
Motor Vehicle Excise Tax	5,369,510	5,864,897	495,387	9.2%	119,592,231	128,010,103	8,417,871	7.0%
Individual Income Tax	8,794,473	11,800,103	3,005,631	34.2%	396,153,000	452,547,326	56,394,326	14.2%
Corporate Income Tax	8,640,157	10,442,821	1,802,664	20.9%	88,417,167	102,926,972	14,509,806	16.4%
Insurance Premium Tax	2,272,298	3,454,764	1,182,465	52.0%	48,990,027	56,284,535	7,294,508	14.9%
Financial Institutions Tax	40,646	241,572	200,926	494.3%	6,257,390	4,958,673	(1,298,717)	-20.8%
Oil & Gas Production Tax	2,075,596		(2,075,596)	-100.0%	45,516,520	45,534,044	17,524	0.0%
Gaming Tax	664,435	322,584	(341,851)	-51.4%	27,612,652	20,850,911	(6,761,741)	-24.5%
Lottery		5,836,571	5,836,571	100.0%		7,269,005	7,269,005	100.0%
Interest Income	1,813,826	1,979,169	165,342	9.1%	8,509,483	6,935,015	(1,574,467)	-18.5%
Oil Extraction Tax	926,300		(926,300)	-100.0%	24,048,705	25,465,956	1,417,251	5.9%
Cigarette & Tobacco Tax	1,705,283	1,668,433	(36,850)	-2.2%	39,313,360	39,476,712	163,353	0.4%
Departmental Collections	1,570,956	1,476,729	(94,227)	-6.0%	57,506,019	61,004,537	3,498,518	6.1%
Wholesale Liquor Tax	491,416	550,547	59,131	12.0%	11,155,834	11,889,465	733,631	6.6%
Coal Conversion Tax	1,884,803	1,986,579	101,775	5.4%	46,878,511	47,196,831	318,320	0.7%
Mineral Leasing Fees	(145,225)	196,472	341,697	-235.3%	6,440,514	11,024,583	4,584,070	71.2%
Bank of North Dakota-Transfer	33,699,787	30,000,000	(3,699,787)	-11.0%	78,699,787	60,000,000	(18,699,787)	-23.8%
State Mill & Elevator-Transfer	6,000,000	5,000,000	(1,000,000)	-16.7%	6,000,000	5,000,000	(1,000,000)	-16.7%
Gas Tax Admin-Transfer			-		1,363,392	1,396,200	32,808	2.4%
Other Transfers	5,550,994	5,461,956	(89,038)	-1.6%	24,370,510	91,412,288	67,041,778	275.1%
Total	114,773,568	118,359,854	3,586,287	3.1%	1,677,443,466	1,896,941,450	219,497,984	13.1%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	114,773,568	118,359,854	3,586,287	3.1%	1,677,443,466	1,953,398,031	275,954,565	16.5%

* Oil and gas production and oil extraction tax collections totaled \$7.9 million in June. Because the \$71.0 million statutory cap for the 2003-05 biennium has been attained, all June collections will be reserved for transfer to the permanent oil tax trust fund. A total of \$49.5 million is now reserved for transfer to the permanent oil tax trust fund at the end of the 2003-05 biennium and is not reflected in general fund oil tax collections.

Revenue Variances

June revenue collections exceeded the original legislative forecast by \$5.4 million, or 4.8 percent. Biennium to date collections exceed the original legislative forecast by \$144.9 million, or 8.0 percent, including the \$56.5 million in federal fiscal relief payments received by the state and deposited in the general fund.

Sales and use tax collections are slightly less than estimated for the month, but exceeded expectations throughout the biennium. Biennium to date collections exceed the original legislative forecast by \$43.0 million, or 6.4 percent.

Individual income taxes exceed the original forecast by \$1.1 million, or 10.5 percent. Biennium to date collections exceed the original forecast by \$17.3 million, or 4.0 percent.

Corporate income tax collections also exceed the original forecast, by \$500,000 for the month and \$11.5 million for the biennium.

Oil and gas taxes totaled \$7.9 million for June, a reflection of the continuing high price being paid for North Dakota crude oil. However, pursuant to NDCC Section 57-51.1-07.2, all oil and gas taxes collected in excess of \$71 million must be transferred to the permanent oil tax trust fund at the end of the biennium. The \$71 million threshold was reached in December 2004. Consequently, the entire amount collected in June has been reserved for transfer to the permanent oil tax trust fund. Through June 2005, \$49.5 million has been reserved for transfer to the permanent oil tax trust fund.

Comments or Questions?

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